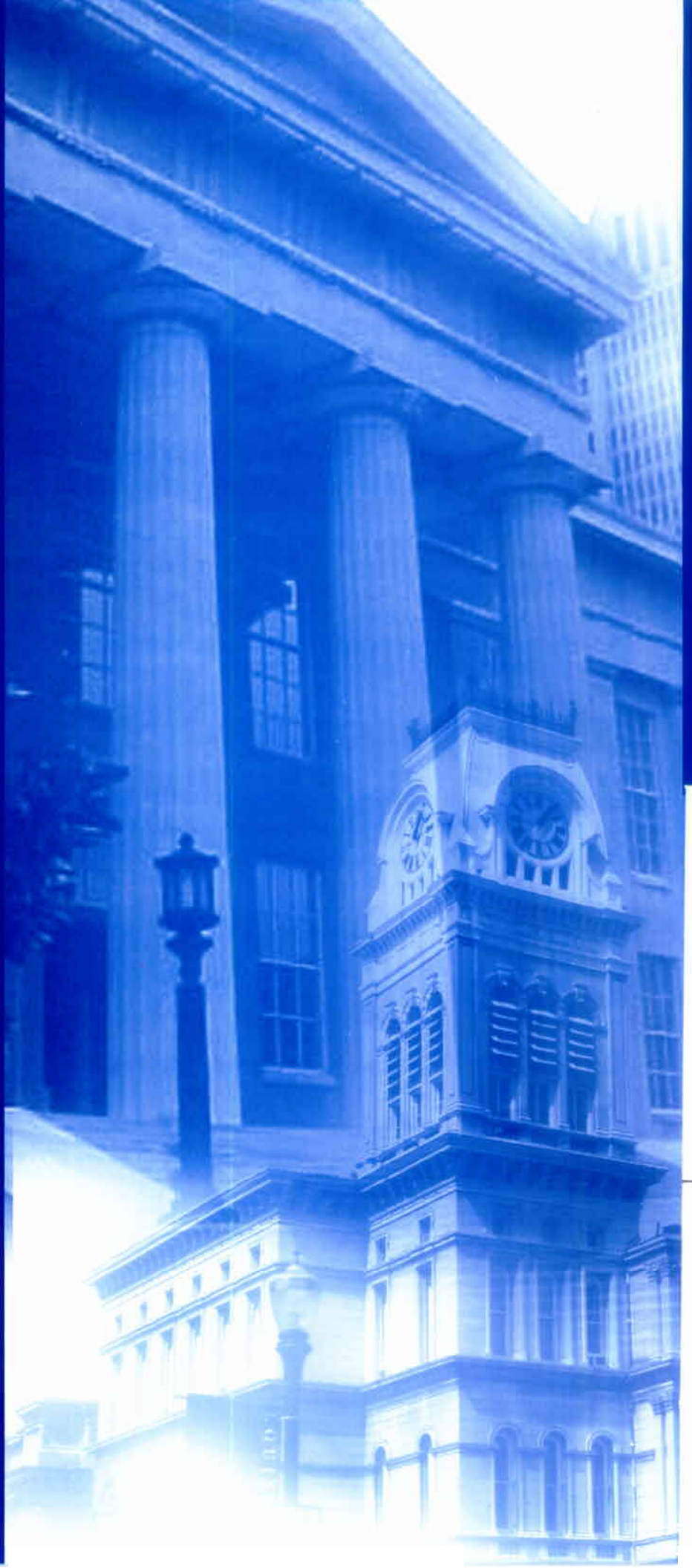




Jerry E. Abramson
Mayor

26 Member
Metro Council

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Metro Government.



Office of Internal Audit

Metro Youth Center

State Reimbursements



Audit Report

Metro Youth Center

State Reimbursements

July 2004

Table of Contents

Transmittal Letter.....	2
Scope and Opinion.....	2
Internal Control Rating	4
Introduction.....	5
Summary of Audit Results.....	5
 Observations and Recommendations.....	 7
State Meal Program Reimbursements.....	7
<i>#1 - Monitoring and Reconciliation.....</i>	<i>8</i>
<i>#2 - Efficiency and Effectiveness.....</i>	<i>9</i>
<i>#3 - Policies and Procedures</i>	<i>9</i>
<i>Recommendations</i>	<i>10</i>
State Jail Fee Reimbursements	13
<i>#1 - Monitoring and Reconciliation.....</i>	<i>13</i>
<i>#2 - Information Management Computer System</i>	<i>15</i>
<i>#3 - Policies and Procedures</i>	<i>15</i>
<i>#4 - Efficiency and Effectiveness.....</i>	<i>16</i>
<i>Recommendations</i>	<i>16</i>
 Metro Youth Center Responses.....	 20



JERRY E. ABRAMSON
MAYOR

KELLY DOWARD
PRESIDENT, METRO COUNCIL

LOUISVILLE, KENTUCKY
OFFICE OF INTERNAL AUDIT

MICHAEL S. NORMAN, CIA
CHIEF AUDIT EXECUTIVE

Transmittal Letter

July 9, 2004

The Honorable Jerry E. Abramson
Mayor of Louisville Metro
Louisville Metro Hall

Re: Audit of Youth Center State Reimbursements

Scope and Opinion

We have examined the operating records and procedures of State jail fee and State meal program reimbursements received by the Metro Youth Center. The primary focus of the audit was the operational and fiscal administration of the activity. This included how the Youth Center processes, records, and monitors the activity.

As a part of our examination, we performed an evaluation of the internal control structure. Our examination was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The objective of internal control is to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

There are inherent limitations in any system of internal control. Errors may result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personnel factors. Some controls may be circumvented by collusion. Similarly, management may circumvent control procedures by administrative oversight.

The operating procedures associated with administering the State reimbursements were reviewed through interviews with key personnel. The operational and fiscal administration of activity was reviewed. The specific topics reviewed included the following:

- State Meal Program Reimbursements
- State Jail Fee Reimbursements

The scope and methodology of the areas reviewed will be addressed in the Observations and Recommendations section of this report. Our examination would not reveal all weaknesses because it was based on selective review of data.

The internal control rating for each area reviewed is on page 4. These ratings quantify our opinion regarding the internal controls used in managing the activity and identify areas requiring corrective action.

It is our opinion that the overall internal control structure for the Youth Center's State reimbursement procedures is weak. There were some specific problems noted that indicate the internal control structure could be more effective. Examples of the problems include the following.

- Monitoring and reconciliation of State reimbursement activity is inadequate. This lack of oversight does not adequately protect the revenue and weakens the reliability of the financial statements.
- Activity reporting and processing is not administered in an efficient and effective manner. There is a great deal of duplicative and manual processes performed. The inability of the current computer system to adequately provide useful reports may contribute to the process weaknesses.
- Functional operating policies and procedures are not provided for staff. This may lead to inconsistencies in processing of activities.

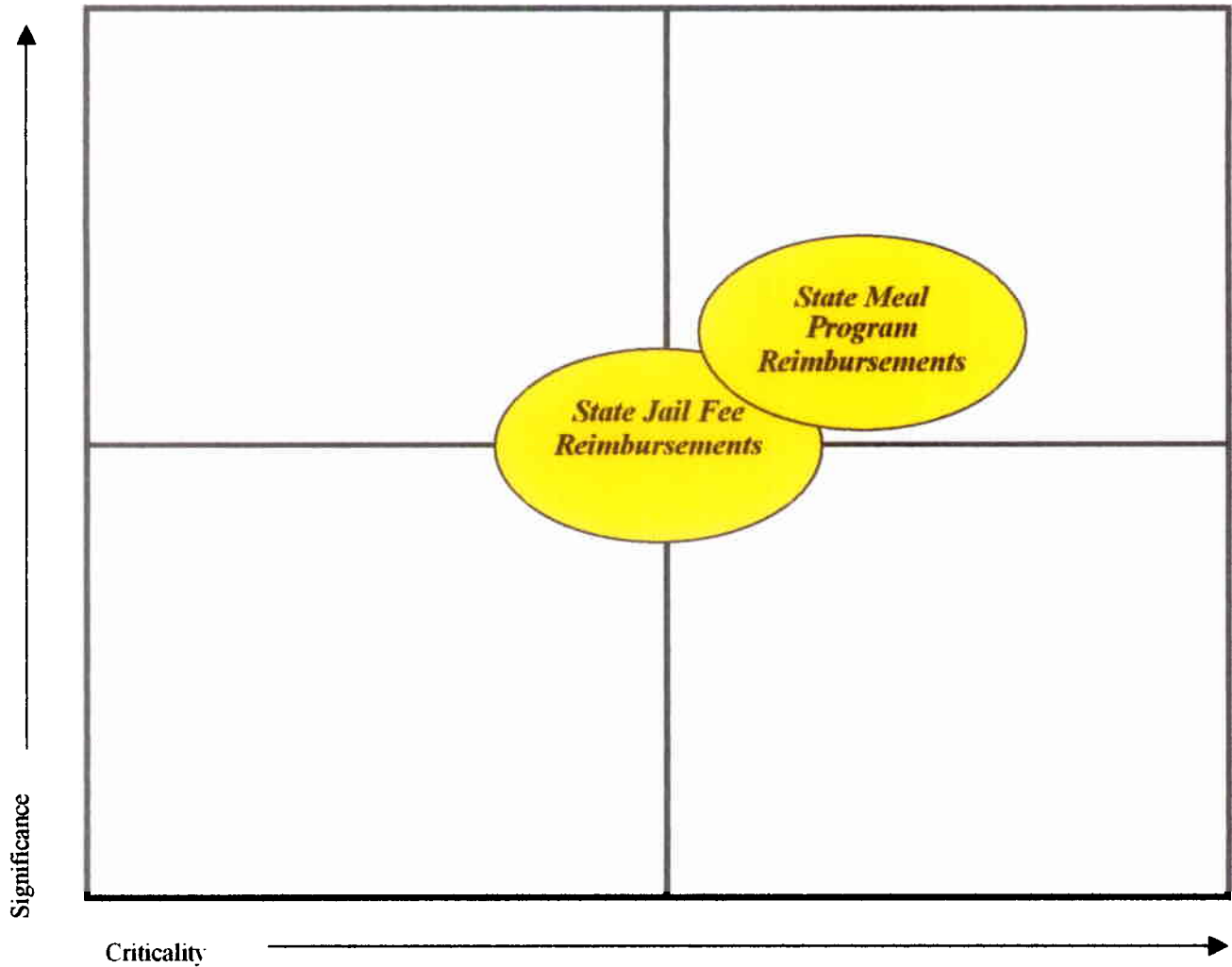
The implementation of the recommendations in this report will help improve the internal control structure and effectiveness of the Youth Center State reimbursements.



Michael S. Norman, CIA
Chief Audit Executive

cc: Louisville Metro Council Audit Committee
Louisville Metro Council Members
Deputy Mayors
Secretary of the Cabinet for Public Protection
Director of Youth Center

Internal Control Rating



<i>Legend</i>			
<i>Criteria Issues</i>	<u>Satisfactory</u> Not likely to impact operations.	<u>Weak</u> Impact on operations likely contained.	<u>Inadequate</u> Impact on operations likely widespread or compounding.
<i>Controls</i>	Effective.	Opportunity exists to improve effectiveness.	Do not exist or are not reliable.
<i>Policy Compliance</i>	Non-compliance issues are minor.	Non-compliance issues may be systemic.	Non-compliance issues are pervasive, significant, or have severe consequences.
<i>Image</i>	No, or low, level of risk.	Potential for damage.	Severe risk of damage.
<i>Corrective Action</i>	May be necessary.	Prompt.	Immediate.

Introduction

The Youth Detention Center operates per KRS 67.0831, which requires the local government to provide for a suitable facility or facilities for the custody and care of children held in custody pending disposition of their case by District and Circuit Courts. The facility is licensed to operate by the Kentucky Department of Juvenile Justice per KRS 15A and has maintained National Accreditation through the American Correctional Association since 1983. It is designed to ensure that all juveniles detained are housed in a safe and secure environment, which provides services that support juveniles' well-being through physical, mental, and social development.

Admissions and secure detention are essential programs for successful operation of the Youth Center. Admissions provides processing and placement of every youth that is in custody. It tracks movement of all youth within the program unit and compiles statistical reports and other information. Secure Detention is the most secure and restrictive environment of local detention care that the courts can place juveniles (12-18 years of age) pending disposition of their case. This population of juveniles is charged with felonies, violent offenses, bench warrants, or they pose a serious threat to themselves or the community. The facility holds twelve living units with a ninety-six bed capacity.

The State of Kentucky provides funding to maintain individuals in custody through the following programs.

- **State Meal Program Reimbursements.** The Youth Center, along with its Alternative Placement Services (APS) program, qualifies for the Kentucky Department of Education National School Lunch and Breakfast Program. The Youth Center provides free breakfast and lunch to each child and they are reimbursed by the State at a rate of \$1.43 and \$2.21, respectively, for each meal. The fiscal 2004 Metro Government revenue budget is \$86,300 for the State meal program reimbursements.
- **State Jail Fee Reimbursements.** The State provides funds to house youth offenders. The Youth Center receives \$100 a day if the youth has a Commissioner's Warrant, meaning the youth has already been committed to the State on a prior charge. The standard reimbursement rate and the Commissioner's Warrant plus additional charges rate are both \$94 a day per youth. The Youth Center receives an additional \$6 a day if the youth is being held for placement in the State Department for Juvenile Justice system. The fiscal 2004 Metro Government revenue budget is \$2,075,700 for State jail fee reimbursements.

The fiscal year 2003 and 2004 operating budgets for the Youth Detention Center are \$6,299,200 and \$6,473,800, respectively.

This was a scheduled audit.

Summary of Audit Results

I. Current Audit Results

See Observations and Recommendations section of this report.

II. Prior Audit Issues

The Office of Internal Audit has not previously audited the Youth Center's State reimbursements.

III. Statement of Auditing Standards

Our audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

IV. Statement of Internal Control

We conducted a formal study of the internal control structure in order to obtain a sufficient understanding to support our final opinion.

V. Statement of Irregularities, Illegal Acts, and Other Noncompliance

Our examination did not disclose any instances of irregularities, any indications of illegal acts, and nothing came to our attention during the examination that would indicate evidence of such. Any significant instances of noncompliance with laws and regulations are reported in the Observations and Recommendations section of this report.

VI. Views of Responsible Officials

An exit conference was held at the Youth Center administrative office on June 18, 2004. Attending were Clarence Williams, Sandra Wilson, and Elton Jackson representing the Youth Center; Mike Norman, Mark Doran, Rebekah Kimzey and Jenni Schelling representing Internal Audit. Final audit results were discussed.

The views of the Youth Center officials are included as responses in the Observations and Recommendations section of the report.

Observations and Recommendations

State Meal Program Reimbursements

Scope

Key personnel were interviewed to gain an understanding of the administration of State meal program reimbursement activity. The Kentucky Department of Education provides funding to reimburse breakfasts and lunches served to youth housed by the Metro Youth Center, including Alternative Placement Services (APS). The purpose of this review was to determine the adequacy of internal controls for the administration of the State meal program for youth housed at Metro Youth facilities, which ultimately determines reimbursable activity. This included how activity is processed, recorded and monitored.

There was a total of 17,645 secure detention youth care days, with a daily average secure population of approximately 60 youth at the Youth Center and a daily population of approximately six youth at APS during the period January 1, 2003 through October 31, 2003. The following tests were performed for that period.

1. A sample of two days from every other month within the ten-month period was judgmentally selected for examination. For each of the ten days selected, the activity population reports and supporting documentation from the Youth Center and APS were reviewed for a total of twenty activity population reports. This information is used to prepare the request for reimbursement.
2. A sample of forty youth files was examined, two judgmentally selected from each of the daily population reports examined. The admission files for each youth were reviewed to verify that reimbursements were based on individuals who were present at the facility.
3. Each month's reimbursement activity from January 2003 through October 2003 was examined. Several documents used to prepare the monthly reimbursements were examined for accuracy and timeliness. The bank deposit records and financial system postings were also reviewed to ensure that activity was recorded appropriately.

The sample was examined to ensure the completeness, accuracy, adherence to described procedures and appropriateness of the activity processed. The following concerns were noted.

Observations

There were several problems noted with the administration of the State meal program. As a result, the internal control structure is weakened and its effectiveness impaired. The observations are separated into the following areas:

1. Monitoring and Reconciliation
2. Efficiency and Effectiveness
3. Policies and Procedures

#1 - Monitoring and Reconciliation

- There were some problems noted with the monitoring and reconciliation of the reimbursement activity.
 - There is not sufficient oversight of the reimbursement documentation. Other than the preparer, there is no type of review for completeness and accuracy of the reimbursement determination and supporting documentation (e.g., Meal Count Worksheets, the Calculation Worksheet, the Allocation Worksheet, and the Report and Claim for Reimbursement).
 - The Metro financial system revenue account for the meal program is reviewed monthly to verify that the correct amount of funds was credited to the account. However, there is not sufficient documentation to identify who performs and reviews the reconciliation.
 - There was a case noted in which the reimbursement payment was not posted to the Metro financial system in a timely manner. The funds were posted 14 business days after the wire transfer was received. This transaction occurred during the implementation period of a new Metro financial system (July 2003). It's not clear if the delay was associated with the agency or the Metro Finance Department.
- Some instances were noted in which errors resulted in an inaccurate reimbursement being processed for the State meal program. This is based on information initially recorded on the Monthly Meal Count Worksheet versus the information reported on the reimbursement request submitted to the State. **For the reimbursement activity sampled, approximately \$390 appears to have been overpaid by the State.**
 - It appears the State meal program reimbursement request duplicated information for one month (October 2003), resulting in an overpayment from the State of \$429. This occurred during a month in which APS was housed at the Youth Center due to damage to their building (roof collapse). All meal counts for both programs were included on the Youth Center reports, while APS also reported the meals for their program. This resulted in an overstatement on the monthly reimbursement request for 170 youth for breakfast and 84 youth for lunch.
 - For one month (July 2003), an inaccurate Youth Center reimbursement request resulted in approximately \$15 less than what should have been reported. This was attributable to an error being carried on the activity reports (incorrect reimbursable lunch total for the Youth Center was transferred to the Calculations Worksheet, the Allocations Worksheet and the Reimbursement Form). This resulted in an understatement of seven youth meals for which the Youth Center did not request reimbursement.
 - For one month (May 2003), an inaccurate Youth Center reimbursement request resulted in approximately \$24 less than what should have been reported. This was attributed to an error being carried on the activity reports (incorrect reimbursable lunch totals for the Youth Center was transferred from the Allocation Worksheet to the Reimbursement Form). This resulted in an understatement of 11 youth meals for which the Youth Center did not request reimbursement.
- There were some instances where problems on reports may have been corrected prior to the actual reimbursement request being prepared, however many corrections were not noted on the supporting documents containing the initial error. As noted in this

report, these types of reporting errors may result in inaccurate reimbursement amounts if they go undetected.

- The Youth Center staff electronically record information on the Juvenile Court Activity Tracking System (JCATS) for each youth housed in the facilities. In addition, individual admission files are maintained to provide documented support. Ultimately, this information helps to support the specific individuals for which meal reimbursements are requested. The examination of a sample of file information revealed a few problems.
 - In one case, the Release Form retained in the admission file recorded an incorrect release date when compared to the JCATS information.
 - In another case, a Release Form was not included in the admission file for the youth.

#2 - Efficiency and Effectiveness

- The Metro Youth Center maintains information and prepares several records to administer reimbursable activity. There were several problems noted with preparation of the reimbursement request and the associated supporting documentation. The following types of issues hinder the efficient and effective administration of this activity.
 - Most information and reports for the State meal program are manually prepared by Metro Youth Center staff. Several factors increase the likelihood of incomplete or inaccurate reporting.
 - Computerized workpapers (e.g., spreadsheets) are not used to retain and transfer information, nor to automatically perform calculations. The current meal program tracking and reporting system requires that information be manually calculated and transferred from one form to another. This increases the likelihood that errors could occur.
 - There is no record retained to document the actual electronic request for reimbursement submitted to the State. The manual forms are maintained in a file as supporting documentation, but the electronic request is not printed for retention. There is no record of the information that was actually processed.
 - Staff administering the Alternative Placement Services (APS) reimbursement activity do not use information from JCATS. The reason being is that staff explained that they do not feel that JCATS reports are accurate and reliable.

#3 - Policies and Procedures

- The Youth Center does not maintain policies and procedures for the State meal program reimbursements. This may lead to inconsistencies in administration and management of activity.
 - Based on the described procedures, it's not clear if the government-subsidized food expenses are double-counted when preparing the reimbursement request. The government-subsidized food expenses are posted to the food expense account for the Youth Center. The State requires that the government-subsidized food expenses be documented separately from the purchased food expenses on the

Reimbursement Form, but staff may not deduct the subsidized food cost from the purchased food expense account total when preparing the reimbursement request.

- The same dollar amounts on the Allocation Worksheet are used every month for Direct Labor, Other Direct Cost, and Indirect Cost. Equipment Depreciation is not used at all. The Youth Center staff was not able to explain the reasoning for this.
- The State instructions for completing the Reimbursement Form available to Youth Center staff refer to forms that are not used.
- The examination of State meal program reimbursement activity revealed problems regarding adherence to and understanding of guidelines associated with the preparation of activity reports.
 - There were cases in which the breakfast and lunch totals on the Calculations Worksheet were not computed according to the procedures described by Youth Center staff (e.g., using day with highest population count vs. daily average for period).
 - Several cases were noted in which the Calculation Worksheet contained calculations that could not be explained by Youth Center staff.
- There is not adequate backup staff to administer the reimbursement activity in the absence of the individual primarily responsible. The staff member who routinely processes meal reimbursements is the only Youth Center employee with access to the State's on-line system, which is used to submit requests.

Recommendations

Appropriate personnel should take necessary action to address the issues noted. Specific recommendations include the following.

Monitoring and Reconciliation

- ✓ A major component of any reporting system is proper reconciliation and monitoring. It is imperative that administrative staff review the information on a regular basis. This includes reconciliation of bank account/deposit activity, along with monitoring of internal records for completeness and adherence to requirements. Ultimately, transactions should be reconciled to the Metro financial statements to ensure the accurate and timely reflection of activity. In order to promote proper segregation of duties, an administrator independent of the actual processing of activity should perform this function.
- ✓ Youth Center personnel should monitor daily activity reports to ensure reimbursement activity is being properly administered and reported. This should include reviewing daily activity reports for accuracy and completeness. Ultimately, the reimbursement receipts should be verified to the applicable request documentation. Any exceptions should be thoroughly investigated and the resolution properly documented. This includes supervisory approval when necessary.
- ✓ The Youth Center should maintain documentation of the authorized reimbursement rates. Requests for reimbursement, along with the actual receipt of funds, should be verified to the approved rates.

- ✓ Supervisory staff should monitor State reimbursement activity for accuracy and appropriateness. In addition to spot-checking reports and supporting documentation, analytical reviews should be performed. This could include comparing total activity for a period to other periods, considering other factors that may affect the youth population held in custody.
- ✓ The importance of complete and accurate information should be stressed to all staff responsible for preparing documents that will be used to prepare the reimbursement report. It is important that personnel be accountable for recording accurate and complete information. Additional training of key personnel may be necessary.
- ✓ Care should be taken to ensure that complete files are maintained for reimbursement activity. This includes periodic requests and supporting documentation. The importance of complete and accurate documentation should be emphasized to all individuals.
- ✓ The reimbursement files should contain sufficient detail to support all activity (e.g., population counts, names of individuals meals were provided for, etc.).
- ✓ The reimbursement file should contain a copy of the State's online Reimbursement Form. This helps to document the official request and date submitted.

Efficiency and Effectiveness

- ✓ It is imperative that the reimbursement request be submitted to the State timely as required (within 30 days after the close of the claim period).
- ✓ Reimbursement receipts should be deposited as soon as possible to ensure assets are safeguarded. Appropriate personnel should ensure all financial policies and procedures are adhered to (e.g. former City policy stated deposits must be made at least weekly or when they exceed \$1,000, whichever occurs first).
- ✓ Financial transactions should be posted to the financial system in a timely manner. This helps to ensure that the financial statements reflect all fiscal activity. Accurate and timely financial postings are necessary to promote an effective reconciliation process.
- ✓ While the Juvenile Court Activity Tracking System (JCATS) is being updated to a web-based version, enhanced reporting capabilities are not anticipated. The Youth Center staff should assess the usefulness of the JCATS system, along with the feasibility of a possible replacement system. A computer system capable of generating reliable reports would promote efficiency and help ensure the accuracy of information used to administer reimbursement activity.
- ✓ The Youth Center staff should consider the possibility of using a computer system in conjunction with Metro Corrections. The coordination of a single computer system may promote efficiency and allow for improved technology support in a more economical manner.
- ✓ The various worksheets completed in order to prepare the reimbursement request should be reviewed. A less cumbersome method with fewer documents should be adopted to alleviate the need to transfer the same information from one report to

another. This would help to decrease the number of errors and help process the activity more efficiently.

- ✓ All forms used by the Youth Center for State reimbursement activity should be reviewed and updated as necessary to reflect current operations. These forms should be reviewed on a regular basis.

Policies and Procedures

- ✓ Written policies and procedures for the processing of State reimbursement activity should be developed. These should supplement the State guidelines and Metro Government policies and procedures. This manual should include sufficient detail for each job duty performed, copies of forms used, and the policies followed in the processing of activity. This information should be distributed to all applicable personnel and may be used as a training manual for new staff. Training of key personnel will help ensure consistent adherence to the requirements.
- ✓ State reimbursement request forms and instructions should be considered as significant guidance as policies and procedures are updated. Youth staff should have an understanding of the requirements to help ensure practices are correct and recorded accurately.
- ✓ Backup staff should be provided for reimbursement activity processing. Other individuals should be trained to help process activity or serve as a backup to ensure duties are performed during the absence of the primary processor.

State Jail Fee Reimbursements

Scope

Key personnel were interviewed to gain an understanding of the administration of State jail fee reimbursement activity. The State Department of Juvenile Justice provides funding for youth housed by the Metro Youth Center. The purpose of this review was to determine the adequacy of internal controls for the administration of youth housed at Metro Youth facilities, which ultimately determines reimbursable activity. This included how activity is processed, recorded and monitored.

There was a total of 17,645 secure detention youth care days, with a daily average secure population of approximately 60 youth during the period January 1, 2003 through October 31, 2003. The following tests were performed for that period.

1. A sample of 20 youth admissions was judgmentally selected for the review period. The review consisted of examining activity logs, spreadsheets, Juvenile Court Activity Tracking System (JCATS) records, and admission files from the Metro Youth Center. This examination was intended to assess the Youth Center activity reports that are used to determine reimbursable activity.
2. Reimbursement activity was examined for each month of the review period. The review consisted of examining Metro Youth Center reimbursement calculations, billing documents, and payments received, and Metro Finance deposit documentation and financial journal entries. This was performed to assess the preparation of reimbursement requests, along with the payments received and deposited.

The sample was examined to ensure the completeness, accuracy, and appropriateness of the activity processed. The following concerns were noted.

Observations

There were several problems noted with the administration of State jail fee reimbursements. As a result, the internal control structure is weakened and its effectiveness impaired. The observations are separated into the following areas:

1. Monitoring and Reconciliation
2. Information Management Computer System
3. Policies and Procedures
4. Efficiency and Effectiveness

#1 - Monitoring and Reconciliation

- In order to receive reimbursement from the State Department for Juvenile Justice for housing youth, the Youth Center must submit a request for reimbursement to the State. In addition, a report documenting the youth housed at the Youth Center, their admission and release dates, and reimbursement status is also submitted. As reimbursements are received, the Youth Center verifies that the payments agree with

the requests. Several concerns were noted regarding this process. Examples include the following.

- Metro Youth Center staff do not administer the deposit of checks. Reimbursements are sent to another agency (Metro Corrections) for deposit into a Metro Government bank account. This third-party agency notifies Metro Finance Treasury Division of the deposit and applicable financial accounting distribution.
 - Funds are not adequately secured during the process of depositing reimbursement checks. Youth Center staff send reimbursement checks through inter-office mail. As a result, proper documentation of custody for these funds is not maintained.
- There were several instances in which reimbursement receipts did not appear to have been processed in a timely manner. It is not possible to accurately determine the timeliness of deposit since there is no record of when the reimbursement is actually received by the Youth Center. The information available (e.g., check dates, bank deposit date, Metro financial system date, etc.) was used to assess timeliness and the following problems were noted.
 - There were numerous cases noted in which reimbursement payments did not appear to have been deposited timely (e.g., nine to 23 days past the check date). This increases the likelihood that payments may be lost or misplaced.
 - In several cases, activity was not posted to the Metro financial system in a timely manner (e.g., six to 34 days after the deposit date). Untimely reporting of financial transactions weakens the usefulness of the financial statements.
- Records and documentation may not be maintained in a complete and effective manner.
 - While copies may be distributed to other staff for reference, the Metro Youth employee responsible for administering and submitting reimbursement documentation does not maintain the requests. This may result in the lack of a sufficient file for this activity.
 - Documentation for the reconciliation of reimbursement activity could be improved. There is not sufficient documentation to identify who performs and reviews the reconciliation. Youth Center staff verify that agency records (e.g., reimbursement requests/payments) agree and are posted to the Metro Government financial system accurately. While it appears Youth Center staff does monitor activity, there is no documentation of the reconciliation process.
- There is no written contract/award between the Metro Youth Center and the State Department for Juvenile Justice for jail fee reimbursements. It was explained by Youth Center staff that the State does not enter into an official agreement. Rather, the State provides a letter documenting any change in rates. However, the letter only addresses the standard rate of \$94 and it does not include other status rates (e.g., youth held for the Department of Juvenile Justice, Commissioner's Warrant or Commissioner's Warrant plus).
- Some instances were noted in which errors resulted in an inaccurate reimbursement being processed for the State jail fee program. This is based on information initially recorded on the Reimbursement Spreadsheet versus the Payment Request submitted to the State. **For the reimbursement activity sampled, the net result appears that the State underpaid by approximately \$570.**

- The reimbursement request for one period (April 2003) was underpaid by \$1,222. This was a result of a status change from a higher reimbursable rate during the youth's term at the Youth Center (from Commissioner's Warrant to the standard rate), along with an inaccurate number of childcare days charged (92 vs. 105). The higher reimbursement rate was not charged for the applicable period and the lesser rate was applied for the entire period.
- An inaccurate rate was applied in one case (September 2003) that resulted in an overpayment of \$564. This was a result of inappropriately adding six youth care days to the total of standard rate youth care days.
- A couple of cases were noted in which the bill included one more day than the youth was housed, resulting in an overpayment of \$188.
- A case was noted in which the bill did not include the entire period the youth was housed, resulting in an underpayment of \$100.
- The Youth Center maintains information using several reports to monitor and report activity. Several cases were noted in which problems on reports may have been corrected prior to the actual reimbursement request being prepared, however many corrections were not noted on the supporting documents. This weakens the usefulness and reliability of Metro Youth Center records since they may not contain accurate information, including adjustments.
- The review revealed one case in which the Metro financial system information was inaccurate. The financial account for State jail fee revenues included a receipt of \$152,923.26 that was related to other unrelated activity. Youth staff corrected the problem upon notification.

#2 - Information Management Computer System

- The Metro Youth Center uses the management information system Juvenile Court Activity Tracking System (JCATS). JCATS is primarily used to record, maintain, and report youth admission and program information. Some of the described procedures indicated weaknesses with the capability and administration of this system. Examples include the following.
 - Routine reports are not generated to monitor the daily activity that is entered into JCATS.
 - Supervisory approval is not required to delete records nor is there any reports generated to monitor this process.
 - JCATS is not equipped to provide reports containing totals or statistical information. As of now, reports for the State jail fee reimbursements are being prepared manually.

#3 - Policies and Procedures

- Admission staff process youth information as they arrive at the Youth Center. Initially, youth information is recorded on a manual activity log designated by shift. These activity logs track the status of each youth as they are admitted, placed in a program, and released. The activity log data is then entered into JCATS. Admission staff practices are not consistent for documenting youth information. This reduces the reliability of Youth Center records.

- Admission staff periodically enter data directly into JCATS, bypassing the activity log. When this occurs, admission staff often fail to revisit the activity log and record the data, leaving the activity log incomplete.
- There are inconsistencies regarding the treatment of re-admittance information on the activity logs as youth return from absences such as visits to the hospital. The Youth Center does not have a specific policy regarding how this activity should be recorded.

#4 - Efficiency and Effectiveness

- Activity reports are not processed in an efficient manner. The reimbursement request is maintained in a spreadsheet software with the capability to quickly and accurately perform various functions. However, the totals on the spreadsheet are manually computed. This increases the likelihood that errors could occur.

Recommendations

Appropriate personnel should take necessary action to address the issues noted. Specific recommendations include the following.

Monitoring and Reconciliation

- ✓ A major component of any reporting system is proper reconciliation and monitoring. It is imperative that administrative staff review the information on a regular basis. This includes reconciliation of bank account/deposit activity, along with monitoring of internal records for completeness and adherence to requirements. Ultimately, transactions should be reconciled to the Metro financial statements to ensure the accurate and timely reflection of activity. In order to promote proper segregation of duties, an administrator independent of the actual processing of activity should perform this function.
- ✓ Youth Center personnel should monitor daily activity reports to ensure reimbursement activity is being properly administered and reported. This should include reviewing daily activity reports for accuracy and completeness. Ultimately, the reimbursement receipts should be verified to the applicable request documentation. Any exceptions should be thoroughly investigated and the resolution properly documented. This includes supervisory approval when necessary.
- ✓ The Youth Center should maintain documentation of the authorized reimbursement rates, youth care status rates, and policies regarding the submission and approval process for reimbursement requests. Requests for reimbursement, along with the actual receipt of funds, should be verified to the approved rates.
- ✓ Proper review should be performed in order to ensure that computer records are complete and accurate. This includes comparing support documentation (e.g., reimbursement spreadsheet, activity logs, admission files, JCATS, etc.) on a routine basis. Periodic spot checks by supervisory personnel would also help ensure processing accuracy.

- ✓ Supervisory staff should monitor State reimbursement activity for accuracy and appropriateness. In addition to spot-checking reports and supporting documentation, analytical reviews should be performed. This could include comparing total activity for a period to other periods, considering other factors that may affect the youth population held in custody.
- ✓ The importance of complete and accurate information should be stressed to all staff responsible for preparing documents that will be used to prepare the reimbursement report. It is important that personnel be accountable for recording accurate and complete information. Additional training of key personnel may be necessary.
- ✓ Care should be taken to ensure that complete files are maintained for reimbursement activity. This includes periodic requests and supporting documentation. The importance of complete and accurate documentation should be emphasized to all individuals.
- ✓ The reimbursement files should contain sufficient detail to support all activity (e.g., population counts, names of individuals in custody, etc.).
- ✓ All billing codes should be reported individually on billings and support documentation. Each billing code should represent actual activity for the period. This will reduce confusion and help ensure accuracy for support documentation and reimbursement processing.
- ✓ Youth Center personnel should administer and monitor reimbursement activity. This includes managing the actual deposit of funds, instead of submitting them through another agency. This would help to ensure deposits are made timely and reduce the risk of payments being lost.
- ✓ All funds should be maintained in a secure manner prior to being deposited. Access should be limited to authorized individuals.
- ✓ Custody should be documented any time funds are transferred from one individual to another. This helps to ensure accountability and safeguarding of assets.
- ✓ Consideration should be given to processing all deposits through Metro Finance Treasury division instead of using a bank account. This would allow Treasury to have immediate record of the funds deposited and promote more timely recording of deposits in the Metro financial system. In addition, the use of bank accounts may hinder efficient administration of activity due to the added steps required to process deposits.
- ✓ It is imperative that the reimbursement request be submitted to the State timely as required.
- ✓ Reimbursements should be deposited as soon as possible to ensure assets are safeguarded. Appropriate personnel should ensure all financial policies and procedures are adhered to (e.g. former City policy stated deposits must be made at least weekly or when they exceed \$1,000, whichever occurs first).
- ✓ Financial transactions should be posted to the financial system in a timely manner. This helps to ensure that the financial statements reflect all fiscal activity. Accurate and timely financial postings should also be included as part of an effective reconciliation process.

Information Management Computer System

- ✓ While the Juvenile Court Activity Tracking System (JCATS) is being updated to a web-based version, enhanced reporting capabilities are not anticipated. The Youth Center staff should assess the usefulness of the JCATS system, along with the feasibility of a possible replacement system. A computer system capable of generating reliable reports would promote efficiency and help ensure the accuracy of information used to administer reimbursement activity.
- ✓ The Youth Center staff should consider the possibility of using a computer system in conjunction with Metro Corrections. The coordination of a single computer system may promote efficiency and allow for improved technology support in a more economical manner.
- ✓ Proper internal controls should be incorporated into processing procedures associated with the updated JCATS system. This should include appropriate segregation of duties and required supervisory approval to remove or change significant youth information. This would help ensure that the adjustments are appropriate and that applicable procedures are being adhered to.
- ✓ If JCATS cannot provide complete, useful report information, interim actions may be necessary. Part of implementing an interim solution should be reviewing the information on the manually prepared spreadsheets for accuracy. When preparing reports that include important information, it may be beneficial to implement procedures that promote efficiency and timeliness.

Policies and Procedures

- ✓ Written policies and procedures for the processing of State reimbursement activity should be developed. These should supplement the State guidelines and Metro Government policies and procedures. This manual should include sufficient detail for each job duty performed, copies of forms used, and the policies followed in the processing of activity. This information should be distributed to all applicable personnel and may be used as a training manual for new staff. Training of key personnel will help ensure consistent adherence to the requirements.
- ✓ State reimbursement request forms and instructions should be considered as significant guidance as policies and procedures are updated. Youth staff should have an understanding of the requirements to help ensure practices are correct and recorded accurately (e.g., using the same dollar amounts every month on the Allocation Worksheet reviewed).

Efficiency and Effectiveness

- ✓ The various worksheets completed in order to prepare the reimbursement request should be reviewed. A simpler method with fewer documents should be adopted to alleviate the need to transfer the same information from one report to another. This would help to decrease the number of errors and help process the activity more efficiently.

- ✓ All forms used by the Youth Center for State reimbursement activity should be reviewed and updated as necessary to reflect current operations. These forms should be reviewed on a regular basis.

Metro Youth Center Responses

This was the first time the Metro Youth Center State Reimbursements had been audited. The audit report specifically looked at two areas, School Lunch Reimbursements and the Department of Juvenile Justice Reimbursements. Youth Center management was very surprised at the incompleteness of the departmental policies and procedures in regard to State reimbursements.

In the School Lunch Reimbursement Audit, recommendations were made in the following areas: monitoring and reconciliation, efficiency and effectiveness, and policies and procedures. It is the intent of the Youth Center Director to create a work group made up of parties involved in this process within the department. This work group's function will be to create recommendations by which the School Lunch Reimbursement Program can be best monitored and to outline the process for reconciliation, efficiency and effectiveness, and policies and procedures. In providing these recommendations, the work group will take into consideration the necessity to provide training to the Youth Center's staff upon approval of the recommendations. Management anticipates recommendations being completed by January 2005.

The second area to be audited during this period was the Department of Juvenile Justice Reimbursements. Although this area had a better internal control rating than the School Lunch Reimbursement, there are still several areas in which the process can be improved. The Office of Internal Audit made recommendations in the same areas as above, along with the area of Information Management Systems. To address these issues, this Director will implement the same process as mentioned above with the School Lunch Reimbursements. Management also anticipates these recommendations being completed by January 2005.

The Youth Center Director believes that a new Information Management System should be used to automate both of these processes, which will address the majority of the recommendations within this audit report. The recommendations that would not be addressed by a new Information Management System will be addressed by the two work groups mentioned above. The work groups will be instructed to work out the processes for each reimbursement area with the current Information Management System in mind. The Youth Center Director intends to work with his immediate supervisor and the Metro Finance Department to address the need for a new Information Management System over the course of the next fiscal year.